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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2017/2018

BSM3114– MANAGEMENT OF STRATEGY
(ALL SECTIONS)

1st JUNE 2018

3.00 PM – 5.00 PM
(2 HOURS)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 4 pages include cover page.
2. There are **TWO (2) Case Studies**. Attempt **ALL** questions.
3. Please write all your answers in **Answer Booklet** provided.

CASE STUDY 1: 50 MARKS**Google's Next Search Is for Housing**

Google is a search company, an advertising company, and, lately, an autonomous vehicle company. It's also...a real estate development company? Google said last week that it would acquire some 300 modular prefabricated homes. Google plans to place the homes on land it controls in Mountain View and offer it to employees as temporary housing. It's not exactly news that there is something of a crisis of affordable housing in the San Francisco and Silicon Valley area. Thanks to zoning, difficult conditions (the region is hilly and prone to earthquakes) and tradition, the housing stock in the region generally consists of tract housing or low-rise buildings. A two-decade technology boom (with a couple of busts in between) has led to a relentless rise in jobs, a growing population, immense wealth, and an uptick in the number of companies eager to stake out real estate for their offices. You may expect workers in these lower-paying industries to have a greater need for affordable housing. But not so for staff at one of the most valuable and profitable companies out there to be in similar straits. Google could jack up wages to a level that allows workers to find the type of housing they want. Of course, that would not only eat into profits, but it would exacerbate the problem. Sending more people armed with cash into the elevated rental and home-purchase market would serve to drive prices up further, which would then require still-higher wages. (That, kids, is what the economists used to call inflation.) There's no doubt that Google would much rather spend time, money, and other resources on things that will drive its business forward, like self-driving cars or tweaking its search algorithm. But talent-driven companies have to focus, first and foremost, on recruiting and retaining the people who will make the business succeed. For companies' intent on keeping the preponderance of their operations in places where housing is expensive and scarce, real estate development may become a core competency.

(Source: *Daniel Gross, S+B BLOGS, June 20, 2017*)

Continued...

QUESTION 1

Justify Google's strategy going into real estate. Complete your answer with a conceptual discussion of the related strategies prior to your justification.

(25 Marks)

QUESTION 2

Explain the three primary reasons firms choose the above strategy.

(25 Marks)

(TOTAL : 50 MARKS)

Continued...

CASE STUDY 2: 50 MARKS**Nike Posts Earnings Beat As Sales Grow Abroad And Slump Domestically.**

With intensifying competition from the likes of Puma and Adidas, Nike's turned attention abroad for bottom-line growth - and the new geographic focus seems to be working. Following Thursday's market close, Beaverton, Ore.-based Nike Inc. reported quarterly earnings of \$767 million, or 46 cents per share, beating analysts' expectations of 40 cents per share. The beat represented a quarterly dip in net income of 9% year over year, which the firm attributed to a decline in gross margin and a higher selling and administrative expense. Revenue was almost \$8.6 billion, an annual increase of 5% and more than average analyst estimates of \$8.4 billion.

"This quarter, led by our Consumer Direct Offense, we accelerated international growth and built underlying momentum in our domestic business," said Mark Parker, Nike Inc.'s chairman, president and CEO, in a statement released alongside earnings. "For the back half of the fiscal year, NIKE's innovation line-up is as strong as it's ever been and we'll continue to actively shape retail through new differentiated experiences." Revenue in Greater China (Nike's third-largest market after North America and Europe, the Middle East and Africa) continued to be a bright spot on the company's earnings report, growing 16% in the quarter and totaling \$1.2 billion. Nike's divisional revenues in Europe, the Middle East & Africa grew by 19% to \$2.1 billion. Growing international revenue has coincided with a near 20% increase in Nike's stock price this year. Nike, which also owns brands Hurley and Converse, closed Thursday trading at \$64.83, up about 2%, and remained nearly stagnant in the hours following the earnings report.

(Source : Jonathan Ponciano , CONTRIBUTOR, *Forbes*, 21 Dec 2017)

QUESTION 3

Demonstrate your understanding, with the Five Forces Model, of the global athletic lifestyle industry of which Nike Inc. is a participant. (25 Marks)

QUESTION 4

a) Define capabilities of a firm. (5 Marks)

b) Discuss how NIKE create capabilities. (20 Marks)

(25 Marks)

(TOTAL : 50 MARKS)

End of paper..